

You May Qualify for Tax Credits or Tax Deductions
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Did you make any energy improvements in your home during 2006? If so, you may qualify for federal tax credits or state tax deductions when you file your income tax forms in 2007.

The tax credits are part of the Energy Policy Act of 2005. Tax credits are available for several types of home improvements, including adding insulation, replacing windows, and upgrading certain high efficiency heating and cooling equipment. The maximum amount of homeowner credit for all improvements combined is \$500 during the two-year period ending Dec. 31, 2007.

Tax credits are also available for people who purchased hybrid gasoline-electric, battery-electric, alternative fuel and fuel cell vehicles. The tax credit amount is based on a formula determined by vehicle weight, technology, and fuel economy compared to base year models. The credits will be phased out over time, so you need to check with your dealer to see if your vehicle qualifies.

Qualified solar thermal and photovoltaic systems may also qualify for tax credits. These credits are available for systems "placed in service" in 2006 and 2007 for 30 percent of the cost of the system, and up to \$2,000 for each system. This credit is not limited to the \$500 home improvement cap.

If your home was built before 1976, you can deduct the cost of adding insulation on your state income tax form. The cost of adding weather stripping, double-pane windows, storm doors and storm windows can also be deducted, as well as the cost of the labor. The deductions are claimed on the Idaho Supplemental Schedule, Form 39R, line 4.

If you installed an alternative energy device in your home in 2006, you may deduct a portion of the amount actually paid. This includes solar, wind, or geothermal resources primarily to provide heating or cooling or to produce electrical power, or any combination. Alternative energy devices also include

new wood stoves, pellet stoves or gas stoves that replace older wood stoves not certified by the Environmental Protection Agency.

In order to qualify for a deduction, the used wood stove must be taken to a site authorized by the Division of Environmental Quality within 30 days from the date of purchase of the new stove, where a receipt will be provided.

The cost of purchasing and installing alternative energy devices can be deducted for a home built in any year, not just those constructed before Jan. 1, 1976. The deductions are claimed on the Idaho Supplemental Schedule, Form 39R, line 5.

The deductions are available over a four-year period. You can deduct 40 percent the first year after the improvements are made, then 20 percent for the next three years.

To find out more about the state tax deductions, consult your tax preparer or contact the Idaho State Tax Commission. For more information on the Federal Tax Credits, consult your tax preparer or contact the Internal Revenue Service.

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